

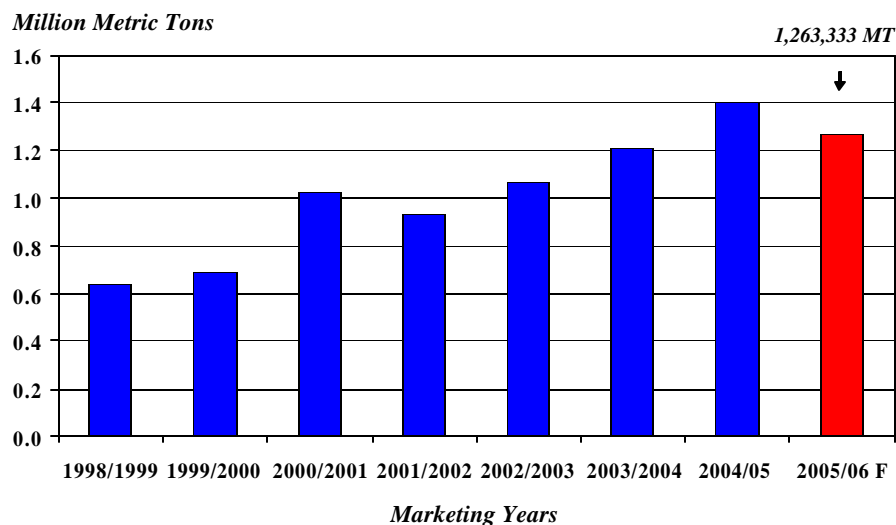
**World Apple Juice Situation:**  
*Global Apple Juice Production Recedes as China's Apple Crop Declines,  
Trade To Continue Strong in MY 2005/06*

**SUMMARY**

World production of apple juice for market year (MY) 2004/05 (July-June) is estimated at about 1.4 million metric tons. The forecast for 2005/06 is 1.26 million metric tons. This year offers a break in the recent yearly record-busting global juice production trend since 2002/03. As the world's top producer, China continues to be the driving force behind changes in the world market. Production declines in Germany also added to the coming year's expected decline. U.S. production levels continue to ease, forecast down 6 percent during 2005/06.

Global apple juice trade is expected to have another record year in 2005/2006. World apple juice exports of select countries will be 1.19 million tons. China is expected to export nearly 49 percent of this world total. Total apple juice imports of select countries are estimated to be up 14 percent from last year. The United States, one of the world's largest importers, is expected to take about 4 percent more than 2004/05, while Germany is also importing larger supplies based on their lower domestic production.

**Global Apple Juice Production  
Declines With China Market**



Source: USDA/FAS Attaché Reports and USDA National Agricultural Statistics Service.  
F = Forecast

## **PRODUCTION**

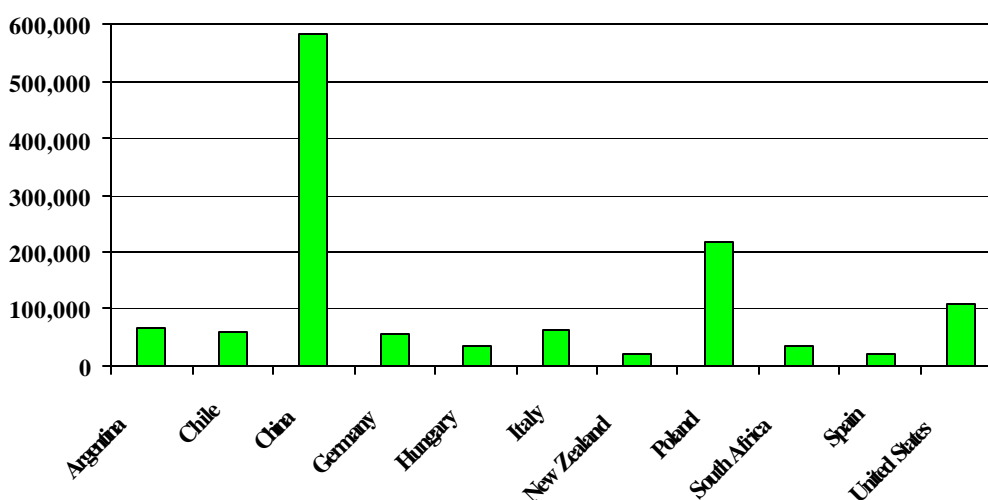
### ***Declining world trend driven by China in 2005/06***

Combined apple juice production in major producing and trading countries in 2005/06 is estimated at 1.263 million tons, down from nearly 1.4 million tons the previous season. According to Post, China's apple production in 2005/06 is estimated to be down 15 percent from last year's bumper crop to 20.4 million metric tons. Cold temperatures in late spring appear to have affected a wide area in the northern apple production region. Major producing provinces like Shandong, Hebei, Henan, and Shaanxi all saw apple production decline by 10 - 20 percent. Despite the drop in production, fruit quality improved. China's concentrated apple juice production in 2005/06 is forecast to drop by about 10 percent from the previous year to 585,000 tons. Declines in apple juice production are modest considering the increased cost of sourcing apples because of better quality fruit and the continuing strong global demand. For more information see GAINS Report #CH6017. China's apple juice production is gradually shifting to the western regions of the country, mainly to Shaanxi province. Typically, Shandong province has been the center of apple juice production in China, accounting for about half of the country's annual output. However, during the last few years, many apple farmers in Shandong have been cutting down apple trees and switching to other fruits in search of better returns. Fruit juice plants in Shaanxi continue to introduce new processing equipment and expand their investments. Shaanxi is now the largest apple juice-producing province, followed by Shandong.

Juice production in Germany is expected to be off nearly 40 percent from the high levels of 2004/05 that stemmed from the large non-commercial crop. Juice imports are forecast to be much higher to offset the shortage. For more information, review GAINS Report #GM5034.

### **World Apple Juice Producers 2005/06**

*Metric Tons*



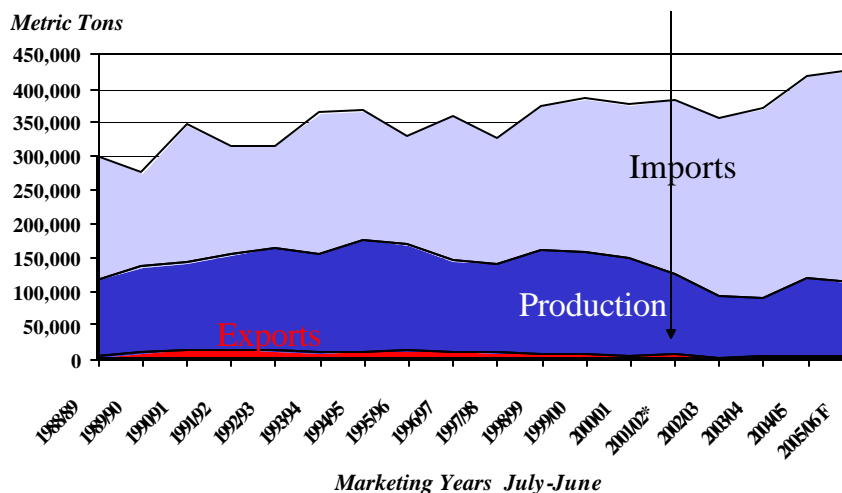
Source: USDA/FAS Attaché Reports

### ***U.S. apple juice production in 2005/06 is expected to continue downward trend***

At 109,000 tons, 2005/06 U.S. apple juice production will continue the gradual decline seen for the past 10 years. The United States utilized close to 4 billion pounds of apples for processing during 2004. The National Agricultural Statistics Service (NASS) will publish estimates for 2005 on July 6, 2006. Lower prices for processing fruit have led to decreased domestic supplies and increased imports of lower-priced apple juice have been hampering U.S. apple juice production in recent years.

## **U.S. Apple Juice Production Declines as Imports Increase**

*Implementation of Anti-dumping Duty on China*



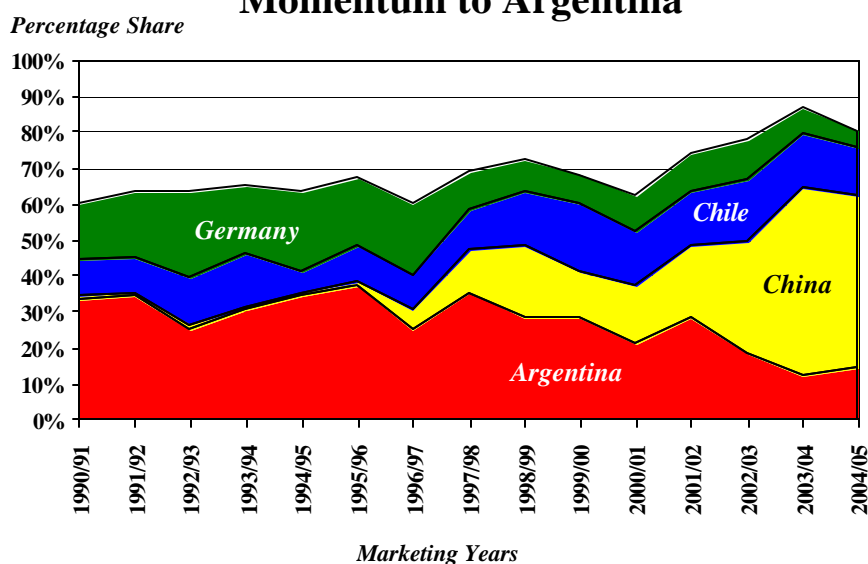
Source: U.S. Department of Commerce, Bureau of the Census. F= Forecast \*Effective January 1, 2002 the HS Code for apple juice changed and data for 1994-2001 and 2001-2005 may not be directly comparable. Prior to 2001/02, HS Code 20097000 for apple juice is used. 2002/03 to present, HS Code 20097900 (concentrated apple juice) is used.

In the United States, few apples are grown just for juicing. Most juice apples are culled fruit from fresh packing lines. Moreover, profits to growers from processing apples are generally lower than fruit directed to the fresh market. While about 64 percent of all apples went into the fresh market, the rest, or about 34 percent were processed. Of the processed apples, about half went into the juice and cider market. This is about 18 percent of total apple production. Also, of all apples processed, 34 percent were canned (down from 38 percent), 7 percent were frozen (up from 1 percent), and 5 percent were dried (down from 6 percent). In July 2005, NASS initiated the reporting of a new category of processed apples, Fresh Slices. Much of this new product category is used in meals away from home. NASS estimates that 54 million pounds of apples were processed into fresh slices during 2004.

### ***The United States will remain a strong consumer of imported apple juice***

The United States is expected to remain a major net importer as U.S. import demand for apple juice continues its upward trend (see previous chart). Apple juice imports in the United States in 2005/06 are forecast to increase 4 percent above last year to about 313,000 tons. This figure represents total juice imports under the HS codes 2009790020 (APP JU CNC NT FZ) and 009790010 (APPLE JU CONC FZ). U.S. imports are mostly concentrated non-frozen product. Argentina, Chile, and China are the major suppliers of apple juice to the United States. Historically, apple juice imports from Argentina and China are, on average, the lowest-priced options to U.S. importers. Four countries supply the bulk of our imports.

### **China's Expanding Market Share Loses Some Momentum to Argentina**



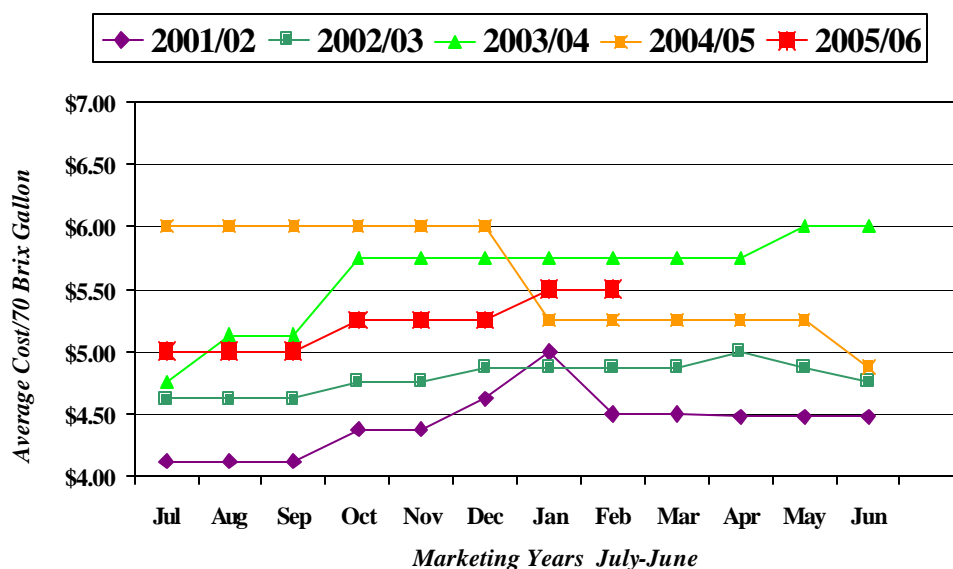
Source: U.S. Department of Commerce, Bureau of the Census.

\*Effective January 1, 2002 the HS Code for apple juice changed and data for 1994-2001 and 2001-2005 may not be directly comparable. Prior to 2001/02, HS Code 20097000 for apple juice is used. 2002/03 to present, HS Code 20097900 (concentrated apple juice) is used.

On May 15, 2000, in response to industry complaints about the surge of low-priced apple juice from China, the United States imposed antidumping duties on imports of Chinese nonfrozen apple juice concentrate. Import duties were imposed ranging from 3.83 to 51.74 percent on eligible Chinese exporters. During 2005, the antidumping order on apple juice from China was set to expire and was reviewed under the "sunset" review process by the U.S. International Trade Commission (ITC) and the U.S. Department of Commerce. On September 19, 2005, the ITC "...determined that revoking the existing antidumping duty order on certain non-frozen concentrated apple juice from China would be likely to lead to continuation or recurrence of material injury within a reasonably foreseeable time. As a result of the Commission's affirmative determination and the Department of Commerce's recent affirmative finding, the existing order on imports of certain non-frozen concentrated apple juice from China will remain in place". For the full press release see [http://www.usitc.gov/ext\\_relations/news\\_release/2005/er0919cc1.htm](http://www.usitc.gov/ext_relations/news_release/2005/er0919cc1.htm).

Since before the imposition of the dumping duty in 2000, domestic prices have remained between \$4 and \$6 per gallon. It has been 11 years since prices were \$9 per gallon or higher.

## Domestic Apple Juice Prices



Source: Food Institute surveys of brokers, buyers, and manufacturers, ex-dock NY

### *Global apple juice trade is expected to reach record levels in 2005/06.*

Exports from selected countries are forecast at approximately 1.19 million tons, up only 1 percent with declining world exports from Germany, Hungary, and Poland lending to the trend. Imports are forecast to reach about 846,000 tons, up 14 percent from 2004/05. Strong markets for concentrated apple juice are expected in Germany, Hungary, and Poland. Traditionally, the German apple industry depends heavily on imports of apple juice concentrates of various densities. Imports from Poland and some other new EU member states may have been underreported in 2004/05 due to changes in the reporting requirements for imports from new EU member states as a result of EU enlargement. Importing companies have to report all trade with non-EU countries irrespective of volume or value of the trade. In contrast, trade with other EU member states only has to be reported if a company's trade exceeds the value of E 300,000 per year, according to Post.

China, although shipping some higher acid apple juice, mainly exports low acid apple juice concentrate, while Poland ships mostly medium and high acid apple juice. High acid apple juice is in particularly high demand in Japan and European markets.

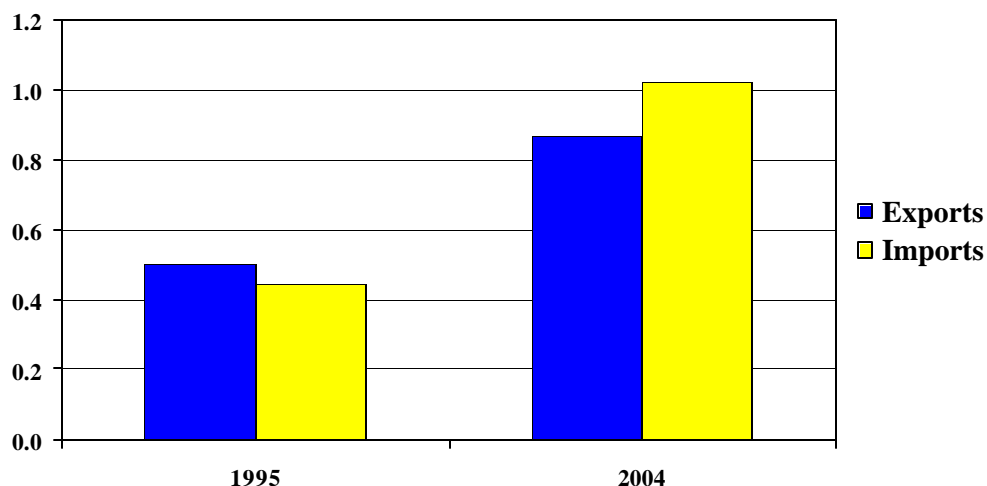
Last season's apple crop in Poland, the second largest producer, was up 4 percent from the previous year. The forecast for production during 2005/06 is expected to be back down 4

percent. Virtually all Polish concentrated apple juice is exported. Generally, the retail prices of fruit and processed fruit products in Poland are much lower than in the other European countries. But this is expected to change in the near term. The United States is the third largest producer. Despite lower production, export levels from July through March have been higher. It is anticipated that this trend is going to continue and that U.S. concentrated apple juice exports are going to increase 16 percent for 2005/06. Argentina currently ranks fourth in terms of production levels. With larger apple production, greater availability of fruit bolstered Argentina's exports during calendar year 2005. Chile's production levels mainly reflect foreign demand of their traditional markets and although production was off 5 percent during 2005, exports declined 3 percent. Although Chilean exports were up to Japan and Mexico, their market for juice in the U.S. declined nearly 8 percent, according to the Global Trade Atlas.

Apple export levels drive increases in juice production. The greater the level of apples procured for the high standards of the export market, the greater the incidence of rejected apple which are then channeled into the juice market. Because the juice market has recently become saturated, industry has begun to focus more on quality by encouraging farmers to increase production of sour-type apples. Industry is also shifting to more direct contracting for specific uses, in contrast to using culled apples grown for the fresh export market.

## World Trade in Apple Juice Growing Rapidly, Imports Exceed 1 Million Tons

*Million Metric Tons*



*Source: Food and Agriculture Organization of the United Nations*

*(For further information on supply, distribution, and trade, contact Heather Velthuis at [heather.velthuis@fas.usda.gov](mailto:heather.velthuis@fas.usda.gov))*